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Twentieth session
Geneva, 2-11 May 1994
Agenda item 11

ADOPTION OF THE REPORT OF THE COMMISSION ON ITS TWENTIETH SESSION

Rapporteur: ...

Draft report

Chapter ...

INTERNATIONAL ARRANGEMENTS AND AGREEMENTS RELATING TO FOREIGN DIRECT INVESTMENT AND TRANSNATIONAL CORPORATIONS, INCLUDING GUIDELINES AND OTHER INSTRUMENTS

International arrangements and agreements relating to foreign direct investment and transnational corporations

The Commission considered item 6 of its agenda at the ... meeting, on 5 May 1994. The Commission heard oral presentations by a representative from the secretariat of the General Agreement on Tariffs and Trade, a representative from the secretariat of the Organisation for Economic Co-operation and Development, and a representative from the secretariat of the International Labour Organisation.

The Chairman of the Commission introduced this agenda item recalling that the Commission was called upon to discuss significant developments concerning international arrangements and agreements relating to foreign direct investment and transnational corporations. He observed that the growing importance of transnational corporations in the organization of transnational economic activity leads to thinking about a public framework for TNC activity, in particular, in the light of the emergence of a TNC-led integrated international production system and the increasingly deeper and more complex

cross-border economic interrelations. He noted that the Commission used to consider under this agenda item reports on the progress made in the negotiations on the Code of Conduct on Transnational Corporations until the Commission decided a few years ago to end the negotiations on the Code. Nevertheless, intergovernmental cooperation in the area of foreign direct investment has intensified in recent years mainly in response to policy efforts by Governments to provide a favourable climate for foreign direct investment and the operations of transnational corporations, as part of broader efforts to facilitate cross-border economic activity. The most significant development at the multilateral level in the last few years had been the conclusion of the Uruguay Round of Multilateral Trade Negotiations. Of particular significance for FDI were the agreements on trade-related investment measures and on international trade in services. Another significant development had been the preparation by the World Bank of Guidelines on the Treatment of Foreign Direct Investment. In the OECD, a new initiative was under consideration aimed at consolidating a number of existing instruments into a wider foreign direct investment instrument. The ILO Tripartite Declaration on Multinational Enterprises and Social Policy also deserved the special attention of the Commission because it focuses on social policy which is one of the most pressing issues in the policy agenda of Governments at this time. Developments with these efforts are therefore likely to have significant implications for international policy making on foreign direct investment and for future cooperation in this area.

As requested by the Commission at its previous session, the Chairman invited oral presentations by representatives of the organizations pursuing the efforts just mentioned.

The representative from the secretariat of the General Agreement on Tariffs and Trade noted that the successful conclusion of the Uruguay Round of Multilateral Trade Negotiations in December 1993 and the formal adoption of the resulting instruments on 15 April 1994 is of major importance for the investment climate around the world, both domestic and foreign as it liberalizes access to markets and opens up new possibilities for productive investment. The most important agreements relevant for foreign direct investment were the Agreement on Trade-Related Investment Measures (TRIMS), the General Agreement on Trade in Services and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). He explained the key features of the TRIMS Agreement. The Agreement provides for a review within five years to consider further provisions on investment and competition policy. While being one of the three new areas that were taken up in the Uruguay Round, the outcome of the TRIMS negotiations

were undoubtedly much more modest than in other areas. Turning to the General Agreement on Trade in Services (GATS), the speaker explained some of its most salient traits which included its definition and coverage of four main modes of supply of trade in services. In particular, those modes involving commercial presence and the presence of natural persons in another country were particularly relevant for issues of FDI as they cover, among other things, right of establishment and the treatment of services providers once established. He noted three categories of obligations imposed under GATS. The first category were obligations applicable to all trade in services which included, among other things, basic requirements of most-favoured-nation treatment, transparency of laws and regulations, availability of impartial review mechanisms and remedies and endeavouring to harmonize criteria for authorization and licensing of service suppliers. The second category of obligations concerns the specific commitments contained in the Schedules of Concessions of each of the Member States. The requirement of national treatment is thus made dependent on the inclusion of such commitment in the Schedule of a Member and is subject to any conditions or qualifications set out therein. These commitments, in turn, lead to obligations to notify the Council for Trade in Services of any new laws or administrative practices affecting significantly trade in services. All members of the World Trade Organization are required to have Schedules of Services commitments. Although the initial commitments already attached to the Agreement are significant, the speaker said that it is understood they are only a start. Further negotiations will take place at five-year intervals. In addition, Ministerial Decisions adopted at Marrakesh provide for negotiations in a number of areas, including the movement of natural persons, financial services, maritime transport and basic telecommunications to resume already without delay. The GATS Agreement provides flexibility for developing countries to pursue their own development priorities and open a few service industries or liberalize a few types of transaction. Special provisions are made for the least developing countries. The third category of substantive provisions in the GATS Agreement consist of those to be found in various annexes relating to particular services sectors.

The TRIPS Agreement, explained the speaker, does not deal directly with investment issues but it addresses an important aspect of the legal environment

affecting the conditions under which foreign investment takes place, namely the protection of intellectual property. It covers all main areas of intellectual property rights and lays down minimum standards of substantive protection for each category of rights. For the first time in international law, this Agreement requires Member States to provide within their national laws effective procedures and remedies for the enforcement of intellectual property rights.

The representative of the OECD secretariat stated that one of the primary objectives of the OECD is to help its member States to liberalize international trade in goods and services and progressively establish a system of free capital movements. To achieve this, the organization has at its disposal a wide range of instruments for cooperation. These embody important commitments entered into by member countries for facilitating what is one of the major components in international economic relations, namely, foreign direct investment. Until now, this cooperation has developed around two main pillars: the Codes of Liberalization of Capital Movements and of Current Invisible Operations and the National Treatment Instrument which is an integral part of the 1976 Declaration and Decisions on International Investment and Multinational Enterprises. While these instruments do not have the same origin and scope, taken together they cover all direct investment transactions, whether by non-resident enterprises or by established enterprises under foreign control. They establish two fundamental principles - right of establishment and national treatment; the corresponding procedures comprise the most detailed multilateral rules in force today on the international scene. Another important component of the 1976 Declaration is the Guidelines for Multinational Enterprises. The Guidelines are a set of recommendations addressed to transnational enterprises to guide their operations in such areas as disclosure of information, financial and fiscal matters, science and technology, environmental protection, consumer protection and restrictive business practices and employment and labour relations. The speaker emphasized that considerable efforts have been made over the years by the two Committees in charge of the interpretation and application of the instruments just mentioned to widen the scope of the OECD instruments relating to inward direct investment and ensure a coherent interpretation of member countries in this area. Thus, in addition to strengthening the procedures for implementing existing commitments under these instruments, the Council of Ministers of the

OECD requested the secretariat to study the feasibility and advantages of a broader investment instrument. The study could take into account trends in investment flows and investment instruments and draw on provisions of the national treatment instrument and the liberalization Codes. It might also take into account consideration of other principles embodied in member countries' bilateral investment treaties and examine the possibility of strengthening dispute settlement procedures. The wider investment instrument would be in principle legally binding on the OECD member States but it could be also open for signature by non-OECD member countries. While still at the preliminary stages and it is difficult to predict the final outcome, efforts are under way to prepare elements of a draft instrument within the present year.

The representative of the ILO secretariat observed that the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy was the response of ILO to the effects of the increasing transnationalization of the world economy and the role of foreign direct investment on employment, labour conditions and labour relations, as well as on the leaving standards of peoples around the world. For ILO, an organization in which employers and workers have their say along with Governments, these concerns are of particular importance. After describing the main contents of the Tripartite Declaration, the speaker turned to the mechanisms established within ILO for the follow-up on the Declaration. He stressed that, though the Declaration is a voluntary instrument, a procedure approved by the Governing Body makes it possible for aggrieved parties to submit requests for interpretation of its provisions if there are disagreements on their application. He outlined the procedures set up to handle such requests and noted that, out of more than 50 requests submitted so far, only a handful of them could be taken up since the others related to matters which, in principle, could be dealt with more appropriately under the follow-up mechanisms of certain ILO Conventions. He further stressed that the Tripartite Declaration provides an indispensable "social foundation" for negotiations on labour and social issues. It is responsive and adaptable to the exigencies of a changing international economic and social environment and contributes to setting rules by which a partnership can be established in which Governments, employers and employees bear proportionate responsibilities in enhancing economic and social development. Not only does it influence labour regulations, collective

agreements and national policies on TNC/labour relations, but, it being a tripartite and voluntary instrument, makes it necessary for all parties to recognize the level of their interdependence and the concomitant responsibility to consult and cooperate with each other. Lastly, the speaker said that, as the liberalization of policies on FDI and privatization gain momentum, the Declaration reinforces the point that, tripartite cooperation, dialogue and transparency and the elaboration of adequate national regulations can play a central role in maximizing a broad range of economic and social gains.

One delegate, recalling the introduction made by a representative of the World Bank at the previous Commission session on the Guidelines on the Treatment of Foreign Direct Investment adopted by the World Bank, asked the representative of the OECD secretariat what were the differences and similarities between that instrument and the OECD Guidelines just being described by him. The OECD representative explained that, despite their similar titles, these instruments were in fact completely different. Indeed, while the World Bank Guidelines were addressed to Governments and dealt with a number of standards of treatment to be given to foreign investors in order to attract investment flows, the OECD Guidelines were addressed to transnational corporations and provided standards for their activities as good corporate citizens. The World Bank Guidelines were also different from all the instruments just being discussed in that they did not contain mechanisms for follow-up or implementation.

Another delegation asked the representative of the ILO secretariat what guarantees the ILO Tripartite Declaration offered on youth labour and gender labour issues. With respect to youth labour the representative of ILO responded that the approach of the Tripartite Declaration is that conditions applicable to transnational corporations should not be different from those applying to national enterprises in their host countries. On gender issues, the Declaration was clear in that it included a clause proscribing discrimination by reason of gender, race, nationality, or religious or political beliefs.

The Chairman asked for clarification on whether the GATT Ministerial meeting in Marrakesh had requested the new World Trade Organization to take up work on trade and investment or on trade and competition. It was observed that, at present, there is only a Committee on trade and environment. However,

competition policy and company restrictive practices come up in various forms in the new Uruguay Round agreements, notably in the context of the GATS Agreement which provides for consultations on this issue. In other agreements on trade in goods there are also some provisions about the need to take up competition issues in the future.

Another delegation asked the representative of the OECD for clarification about the suggestion made by an expert adviser that the best prospects for concluding a comprehensive instrument on foreign direct investment were with the OECD wider instrument currently under preparation. The representative of the OECD explained that, while the wider instrument is to be negotiated among OECD member States and, in principle, it would only bind them, the OECD has always taken a very flexible approach with respect to opening its instruments to non-members for signature if they wish to be bound by them. He referred to recent examples of non-member countries having adopted some OECD instruments.

The representative of the International Organization of Consumer Unions (IOCU) stated that her organization was naturally disappointed by the stalemate reached on the proposed United Nations Code of Conduct on Transnational Corporations but noted the resolution passed at the special consultations on the Code of Conduct in July 1992 on a fresh approach which could "include the preparation of guidelines and/or any other international instrument on foreign investment". She said that her organization supported proposals for a single international instrument based on voluntary codes and guidelines such as the OECD Guidelines for Multinational Enterprises, the International Chamber of Commerce's Charter for Sustainable Development and the United Nations Guidelines for Consumer Protection. The new World Trade Organization may also develop rules related to foreign direct investment in areas such as competition policy and trade and environment. Her organization encouraged Governments to develop such Guidelines based in the main on existing binding and non-binding multilateral instruments and to give UNCTAD's Division on Transnational Corporations and Investment the mandate and the resources to support the development and implementation of the Guidelines. IOCU hoped that Governments would live up to their responsibility in this respect.

Action taken by the Commission

The Commission expressed its appreciation to the representatives of the organizations that made presentations.

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Rapporteur: ...

Draft report

Chapter ...

COUNTRY AND REGIONAL EXPERIENCES IN ATTRACTING FOREIGN DIRECT INVESTMENT FOR DEVELOPMENT

Country and regional experiences in attracting foreign direct investment for development

The Commission considered item 6 of its agenda at the .. and .. meetings, on 4 and 5 May 1994. It had before it the following documents:

(a) Report of the Secretary-General on foreign direct investment in Africa (E/C.10/1994/5);

(b) Report of the Secretary-General on foreign direct investment to the least developed countries and other developing countries outside Africa (E/C.10/1994/6);

(c) Report of the Secretary-General on the exchange of information on foreign direct investment (E/C.10/1994/7).

In introducing the item, the Assistant Director, Research and Policy Analysis Branch of the Division on Transnational Corporations and Investment stated that the recent spectacular growth of foreign direct investment flows

to developing countries has been unevenly distributed among developing-country groups and regions. The group of the least developed countries did not participate in this growth. Flows to Africa - which includes the largest concentration of least developed countries - did not increase either; as a result, the share of Africa in developing-country inflows to developing countries halved to 6 per cent between the second half of the 1980s and the early 1990s. He noted accordingly, that most of the growth of FDI inflows to developing countries has been concentrated in East and South-East Asia, as well as Latin America and the Caribbean. While turning to Africa, he noted that the flows to this continent remain small despite the widespread liberalization of FDI policies undertaken by most of the African Governments during the 1980s, often as part of structural adjustment programmes. The attractiveness of Africa as a location for FDI continues to be constrained by the small size of most markets, weak private sectors, poor physical infrastructure, an uneven skill level and the heavy reliance on primary exports. He noted, however, that it would be wrong to generalize from the negative situations in some countries to the continent as a whole, because a number of countries in Africa - in addition to oil-exporting countries - are clearly more successful in attracting FDI than others, especially, if FDI inflows are measured in relative terms, e.g., as a per cent of GDP. The continuing reform efforts in many African countries should help improve their economic performance and thus increase the group of success countries.

Moving to the more successful regions as regards FDI, the Assistant Director of the Research and Policy Analysis Branch said that South, East and South-East Asia has been experiencing the fastest economic growth in the world, and has continued to be the largest host developing-country region to FDI flows, accounting for 57 per cent of the developing country total in 1992. China, in particular, has become the most dynamic and largest host country not only in this region but also in the developing world. Across the region, expanding markets are likely to continue to attract FDI. At the same time, shifts in cost advantages lead to the transfer of labour-intensive type of FDI from middle-income countries to low-income countries, while the former countries move towards receiving higher quality FDI and, particularly, FDI in the services sector. Domestic investors from these countries are also partaking in this process, thus reinforcing the emergence of these countries, and notably of the Republic of Korea and Taiwan Province of China, as major home countries for the region. Latin America and the Caribbean, as mentioned the Assistant Director,

have also benefitted from increased investment flows, thus marking a reversal of a trend. A considerable amount of this investment has been attracted to the primary and services sectors, sectors in which privatization programmes - a magnet for FDI in this region - predominated. While so-called "subsidized" FDI - that is, FDI undertaken through the participation in the privatization programmes and debt-equity conversions - is still important for the region, some countries have succeeded in attracting growing amounts of conventional FDI. Future inflows of FDI to this region will be facilitated by continued opening policies, including progress towards regional integration with other developing and developed countries, increased export orientation and the return of the countries of the region to international capital markets.

The speaker stressed that the broad-based trend towards a more open FDI framework has become an important feature across the developing world over the past decade. Given this overwhelming trend, the third report submitted to the Commission on this agenda item analysed the characteristics of the liberalization process and examined how far this process has gone. Noting that the process liberalization involves not only the reduction of market distortions due to restrictions and special incentives for FDI, but also the adoption of positive standards of treatment and protection for foreign investors, and the strengthening of controls and prudential supervision to ensure proper functioning of the market, he noted that on all these aspects FDI regimes around the world have changed in the direction of liberalization during the past decade. As important as these changes are for attracting FDI flows, however, they are only a part of what is necessary to create a favourable investment climate. An increasingly important aspect is a well-functioning legal framework for business operations in general, including well-functioning institutional and administrative infrastructure.

In concluding, the Assistant Director noted that while the process of liberalization is leading to a certain convergence of the characteristics of FDI regimes, there still exist numerous and important differences. At the same time, the integration of production across borders suggests that a number of national policies relating to the production process acquire international dimensions. This raises new challenges for policy-makers in all countries. Exchanges of

information among countries about their experiences with FDI and their policy frameworks could therefore be particularly useful.

Delegations from developed and developing countries as well as expert advisors agreed that, while there has been progress as regards foreign investment flows to developing countries as a group, some groups of countries, and especially the least developed countries and most of the African countries have not benefitted from the increased FDI flows to developing countries and have been marginalized in world FDI, in addition to world trade. Many delegations and experts shared the assessment contained in the reports before the Commission that, while prospects for foreign direct investment flows to Asia and Latin America are good, especially for the former, those to Africa are not, especially in the short run, despite the clear labour-cost advantage in manufacturing that many African countries now enjoy vis-à-vis other regions. In the long run the potential of Africa to receive foreign direct investment is substantial, provided, however, that structural problems (including, inter alia, investment in physical and human infrastructure) will be addressed by Governments, policy reforms carried out in a consistent manner and political and economic stability achieved. In case of the least developed countries meeting a number of these objectives - e.g. improvements in capital intensive infrastructure - will require significant inflows of the official development assistance.

Many delegations agreed with the explanation of the weak foreign direct investment performance in Africa contained in the report on foreign direct investment in Africa. Some delegations and one expert advisor asserted that there has been no evidence that structural adjustment programmes helped attract significant amounts of foreign direct investment to African countries. Some other delegations contended this view, stating, in turn, that such cases were rather an exception than the rule.

A number of speakers agreed that one of the key tasks of the Governments in Africa which undertook efforts to improve the investment climate in their countries is to change the image of their countries based on the image of all Africa emerging from the media as inhospitable location to foreign investors.

Several speakers shared with the Commission their regions' or countries' experiences in the area of attracting foreign direct investment and its role in

the development. One delegation emphasized that Asia's good economic performance has resulted from the appropriate mixture of market measures and correct government intervention and that a skilful use of foreign direct investment played a great role in this performance and suggested that a study of this experience be prepared for the next session of the Commission. An expert advisor from a developing country presented at length the positive response of TNCs to the opening of his country with a massive inflow of foreign direct investment and a number of positive influences, FDI exerted on this country in the areas of ownership structure, new forms of organizing business, management techniques, upgrading of local products and technology, creation of jobs and changing the local mentality to that more open to an outside world. While agreeing with this picture a delegate from the same country emphasized that in the case of his country FDI is a two-way street bringing benefits not only to his country but also to TNCs. In addition, the country has still a lot to do to attract capital from major home countries, as most of the recent investment originates from the nationals of the country living overseas.

A delegation from a developed country stressed that the country with such a success was a low-income country and that therefore its experience should be studied by other developing countries which have experienced difficulties with attracting significant amounts of FDI. It added that countries at a low level of development typically cannot count on large FDI inflows and that therefore it is normal that the least developed countries rely to the greater extent on the inflows of the official development assistance. Another delegation noted, however, that the size of this assistance is not sufficient, and that therefore supplementing it with the inflows of FDI was very important.

Searching for an answer to the question why FDI liberalization measures in a number of countries failed to attract FDI, a delegation from a large host developing country stated that its country found itself in a similar situation in the second half of the 1980s (actually FDI inflows even declined after liberalization), and that the underlying causes included the lack of financial stability of the country: perhaps lack of stability in various areas is a major cause of a weak response to the African liberalization. Another cause is most

likely a still unresolved problem of external indebtedness still persistent in many African countries.

A delegation from a developed country disagreed with the assessment in the report on Africa that all countries had liberalized their FDI policies in all sectors. In addition, many African countries are still lagging in the area of macroeconomic policy. In this context, he questioned the presentation of one of the large countries as a role model of FDI policies.

Experience sharing was not limited to host country's policies: one delegate drew the Commission's attention to the positive role that home country policies can play in encouraging investment flows to developing countries, citing his country as an example. He said that promotion of FDI is embedded in a broader framework of the support to the development process with the participation of private enterprises which are entrusted to take the initiative to establish joint ventures in developing countries.

One delegation expressed dissatisfaction with the weak coverage of the CEE region in the reports before the Commission. The Assistant Director responded immediately that an entire section is planned on this region in the World Investment Report 1994. A number of delegations from the region informed the Commission about their experiences with FDI. One delegation from a Central European country stated that foreign capital enters the region very carefully and provided the Commission with the results of the study on foreign investors' perception of the risks in the Central part of the region. The study showed a differentiated perception not always in line with a popular view of the progress in transition towards market economy on the one hand and the rise in most of these countries' attractiveness to foreign investors on the other hand.

Considerable discussion took place on further actions to be taken at the national, regional and multilateral levels to enhance the role of foreign direct investment and transnational corporations in economic development. The discussion focused on how to do so in the case of Africa. A delegation from a developed country and another delegation from a developing country suggested that efforts aimed at the improvement of the investment climate in Africa should be better coordinated in order to achieve concrete results. Many delegations including one speaking on behalf of a large group of countries strongly supported

the idea of a high-level symposium on FDI in Africa organized by the UNCTAD secretariat and called on countries in a position to do so to provide funding for this effort.

A number of suggestions were made to prepare specific studies aimed at helping attract FDI to developing countries or to exchange experience including a study on the role of FDI in the economic success of Asian countries and an analysis of the investment potential in each of the LDCs to inform TNCs about investment opportunities of these countries.

One delegation spoke about the importance of bilateral investment treaties as instruments to promote the flow of FDI between developed and developing countries. These instruments should also be taken into account when analysing governmental efforts to improve the investment climate and encourage FDI towards developing countries.

In sum, the importance of liberalizing FDI regimes and adopting facilitating measures for attracting foreign investors was generally recognized, but it was also noted that, in order to achieve maximum results, countries needed to focus on creating stable macro and microeconomic conditions. As a number of delegations explained their recent changes in their FDI regimes and their experiences in dealing with foreign investors it was noted that these exchanges indeed provide useful examples for other countries facing similar conditions and problems. Thus, a number of delegations suggested that the practice of exchanging experiences among Governments on FDI policies was very useful and should be encouraged. They observed that the Commission on Transnational Corporations, being the main forum within the United Nations on FDI matters, was the most appropriate body to carry on these exchanges which, however, could benefit for more structured and regular exchanges. Such exchanges, for example, could be facilitated and supported by the preparation of country studies involving the Secretariat, governmental experts and independent experts as the private sector and other interested parties. An alternative format for the exchanges of experiences could be to focus on specific issues each year, such as, for example, tax incentives, authorization procedures and settlement of disputes mechanisms.

In his concluding remarks, the Assistant Director summarized the main issues discussed and responded to specific questions raised by the delegations. He said that the focus on Africa during the discussion was important, given that Africa (including its LDCs) clearly lags behind other groups of developing countries as regards the growth of FDI inflows. While he did not dispute the importance of creating the appropriate image of individual countries vis à vis foreign investors, he noted, however, that in many cases it is the issue of unfavourable basic determinants of FDI which cannot be corrected easily in a short period of time. Nevertheless, all efforts should be made, and he welcomed in that context the support given to the investment symposium for Africa, to change this situation as soon as possible. He referred also to the ongoing work of the Secretariat on bilateral investment treaties and called on delegations to continue to provide the Secretariat with information on new treaties.

Action taken by the Commission

The Commission took note of the reports of the Secretary-General and requested the Secretary-General to continue its programme of work in this area, including especially country and regional experiences in attracting foreign direct investment for development as well as comparative studies on trends in policy frameworks around the world and their impact on FDI flows.

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Rapporteur: .....

Draft report

Chapter __

EXPERIENCE GAINED IN TECHNICAL COOPERATION RELATING TO FOREIGN DIRECT INVESTMENT AND TRANSNATIONAL CORPORATIONS

Experience gained in technical cooperation relating to foreign direct investment and transnational corporations

1. The Commission considered item 7 of its agenda at its 9th meeting, on 6 May 1994. It had before it the following documents:

(a) Report by the UNCTAD Secretariat on Technical Cooperation Activities (E/C.10/1994/8);

(b) Report by the UNCTAD Secretariat on Entrepreneurship and Enterprise Development (E/C.10/1994/9);

(c) Report by the UNCTAD Secretariat on Technical Assistance for a new South Africa (E/C.10/1994/11).

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2. In the introductory statement, the Assistant Director for Advisory Services on International Business stated, that in most developing countries under the impact of harsh economic conditions and pressures of competition for investments has led to more comprehensive approaches by Governments in attracting foreign investment. Today, Governments not only seek assistance in revising their foreign investment law, but are increasingly interested in developing an overall favourable investment climate through appropriate macroeconomic and other management policies and the development of support systems for local enterprises.

3. The Assistant Director continued by saying that the technical assistance programme not only entails advisory services, but also training of public and private sector representatives in foreign investment issues. Training of entrepreneurs is part of these activities and is done through the EMPRETEC programme which targets small- and medium-scale enterprises and assists in making these businesses dynamic and therefore attractive partners for foreign investors. EMPRETEC is now operational in eight different countries in Latin America and Africa and already assists more than 2,250 entrepreneurs.

4. There is a continued demand from developing countries and economies of Eastern Europe for technical assistance on issues related to transnational corporations and foreign investment. The Head of the Branch expressed his hope to be able to respond to these requests and emphasized especially the needs of the newly elected Democratic Government of South Africa, which has the enormous task of building a local capacity and at the same time win the confidence from the international business community to attract foreign investments. The Head of the Branch concluded the introductory statement by emphasizing that the technical assistance programme cannot exist without financial support from donor countries and donors were asked, now that the restructuring of the programme into UNCTAD has been completed, to resume their regular contributions to the General Trust Fund.

5. Many delegations from developing countries and countries with economies in transition expressed their appreciation of the Division's technical assistance activities in the areas of policy-making and related legislation, foreign direct investment promotion, privatization, development of human resource and enterprise

development. Some delegations mentioned results of specific technical assistant activities in their own country and requested continuation as well as expansion of these programmes. Several delegates of developed countries also expressed their appreciation of the technical assistance programme. One delegate specifically mentioned the valuable work in the development of government policies to improve the international competitiveness of developing countries. The same delegate also congratulated the Secretariat for the excellent quality of the reports prepared by the Secretariat on technical cooperation activities.

6. A delegate who spoke on behalf of a large group of developing countries complimented the technical assistance activities of the Division as they put much of the Division's valuable research into practical use. Many countries benefited from the Division's technical assistance programme and the group called upon UNCTAD to continue and further strengthen the work in this area. The group noted that the technical assistance programme adjusted to the wider scope of areas which have to be addressed for promoting and supporting foreign investment and local business. It also expressed its appreciation for the programme's shift towards "fine tuning" issues to suit specific needs of individual countries. The group further emphasized the importance of training programmes to build national capacities and was pleased to notice that training is now an important part of the overall technical assistance programme. The delegate concluded in saying that the group urges donor countries to contribute to the Trust Fund to provide adequate resources to continue this commendable programme of technical assistance.

7. A delegate of a developed country stated that in the case of the Division on Transnational Corporations and Investment, the marriage between analytical work and technical cooperation activities has been fruitful and harmonious. The delegate also observed that there is a growing demand for technical assistance from many countries who are trying to attract foreign investment. Lack of resources makes it, however, impossible for the Division to adequately respond to these requests. The delegate noted that the Division survived the transfer from New York to Geneva in fairly good shape and that the delegate's Government would like to express its confidence in the Division's capability to continue its quality work by resuming its contribution to the Trust Fund with a donation of

US$ 275,000. This amount is not earmarked for any specific project, though the delegate mentioned that it would be appreciated if some of these funds could be used to help establish a good framework for international investment in the newly democratic South Africa. The delegate concluded in urging other donors to join in resuming financial support for the technical assistance activities of the Division.

8. The delegate of an African country joined other delegates in congratulating the newly democratic Government of South Africa and encouraged the Division to assist the new Government in their new challenge to attract new foreign investors. The delegate of a developed country encouraged the technical assistance programme to continue and expand its assistance to least developed countries.

9. The delegate of a Latin American country as well as an African country elaborated on the results and successes of the EMPRETEC programme in their respective countries. They expressed their hope that donor countries would resume financial support to the technical assistance programme, so that the Division could continue its valuable work in this field.

10. The delegates from two developed countries expressed their special appreciation for the activities in the area of entrepreneurship and business development. One delegate mentioned that from 1995, Business and Development will be a permanent item on the agenda of the General Assembly. The delegate expressed his hope that this will strengthen UNCTAD in pursuing its activities in this field. The delegate from a West European country which previously contributed to the EMPRETEC programme suggested that the package of activities under this programme should continuously be upgraded to adjust its services to the changing needs of participating entrepreneurs.

11. The delegate of a South-East Asian country emphasized the importance of small- and medium-scale enterprise development in accomplishing overall economic development, and welcomed a programme like EMPRETEC. The delegate observed, however, that this programme only operates in countries in Latin America and Africa and recommended that the Secretariat broadens the scope of the programme to Asia. The same delegate also elaborated on the work done in the area of

Build-Operate-Transfer arrangements and emphasized the importance of technical support to developing countries who are experimenting in this field.

12. The delegate of another South-East Asian country underlined the importance of transnational corporations (TNCs) as sources of technological know-how and generators of investments in developing countries. The delegate emphasized the importance of the technical assistance programme in helping Governments in attracting TNC investments and requested donors to resume their contributions to the Trust Fund to assure the continuation of this programme. Special reference was made to the project proposal "Assistance to ASEAN Countries in Capital Market Development". This regional programme proposal, designed by the Division in cooperation with government agencies, is not yet implemented due to lack of financial support.

13. Delegates of a developed and a developing country mentioned that they would appreciate it in future if countries could be mentioned by name in the reports prepared by the UNCTAD Secretariat. It makes it more difficult for delegates to assess the impact of the technical assistance programme if countries are referred to as "an African country or a country in the Caribbean received assistance in ...".

14. In response to the issue raised by the delegates regarding the mentioning of country names in the Secretariat's reports, the Assistant Director for Advisory Services on International Business stated, that what was important was the nature of the problem and the appropriateness of the policy response and advisory prescription, rather than the name of the particular country. Moreover, although failure to mention the name of the country does make it somewhat more difficult to retain the interest of the reader, a greater loss would be incurred if the Division were not able to analyse the experiences of various countries in an objective manner without fear of triggering political sensitivities. In his concluding remarks, the Head of the Branch expressed his appreciation for the positive reactions from the many delegations who participated in the debate. He, however, emphasized that continuation of the technical assistance activities discussed during the debate can only be realized with sufficient financial support. The Head of the Branch thanked the donor country who announced its

renewed contribution to the Trust Fund and expressed his hope that other donors will follow in renewing their confidence in the programme.

15. The Chairman closed the meeting by mentioning that he was very pleased with the large number of countries participating in the debate on technical cooperation activities, which reflects the wide appreciation and interest from member countries in this part of the Division's programme.